

## Message Text

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PAGE 01 STATE 310213  
ORIGIN ARA-14

INFO OCT-01 ISO-00 OES-07 DOE-11 SOE-02 PA-01 PRS-01  
USIE-00 CIAE-00 INR-07 NSAE-00 INRE-00 EB-08  
EUR-12 /064 R

DRAFTED BY ARA:RGARELLANO:MCH  
APPROVED BY ARA:RGARELLANO  
-----042229 301814Z /43  
O 301805Z DEC 77  
FM SECSTATE WASHDC  
TO AMEMBASSY MEXICO IMMEDIATE

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E.O. 11652: N/A

TAGS: ENRG, MX

SUBJECT: NATURAL GAS NEGOTIATIONS

1. FOLLOWING STORY APPEARED PAGE A8, NEW YORK TIMES,  
30 DECEMBER.

"U.S. BARS MEXICAN GAS AT PRICES ABOVE CANADIANS"  
BY STEVE RATTNER, WASHINGTON, DECEMBER 29.

"SECRETARY OF ENERGY JAMES R. SCHLESINGER DECLARED  
TODAY THAT THE CARTER ADMINISTRATION WOULD NOT PERMIT  
THE IMPORTATION OF NATURAL GAS AT THE PRICES CURRENTLY  
DEMANDED BY MEXICO.

"HIS STATEMENT REINFORCED A GROWING LIKELIHOOD THAT  
THE TENTATIVE AGREEMENT REACHED IN AUGUST BETWEEN MEXICO  
AND SIX AMERICAN NATURAL GAS COMPANIES IS VIRTUALLY DEAD.  
THAT DEVELOPMENT WOULD MAKE RECEIPT OF THE 2 BILLION  
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CUBIC FEET PER DAY - ENOUGH TO HEAT 2 MILLION TO 4 MILLION  
HOMES - HIGHLY UNCERTAIN.

"THE TENTATIVE MEXICAN AGREEMENT INCLUDED A PRICING  
FORMULA THAT EXPERTS ESTIMATE WOULD HAVE RESULTED IN A  
PRICE OF \$2.60 PER THOUSAND CUBIC FEET, DELIVERED TO THE  
MEXICAN-UNITED STATES BORDER. AT THE SAME TIME, GAS

NOW BEING PURCHASED FROM CANADA UNDER SIMILAR CIRCUMSTANCES IS PRICED AT \$2.16 PER THOUSAND CUBIC FEET.

"UNDER NO CIRCUMSTANCES SHOULD WE ESTABLISH A PRICE THAT WOULD BE ABOVE THE PRICE PAID TO THE CANADIANS,' MR. SCHLESINGER SAID.

"MR. SCHLESINGER WAS APPARENTLY REFERRING TO A FEAR AMONG FEDERAL ENERGY OFFICIALS THAT A HIGHER PRICE FOR MEXICAN GAS WOULD CAUSE THE CANADIANS TO RAISE THEIR GAS PRICES. IN 1976, CANADIAN GAS SHIPMENTS TO THE UNITED STATES AVERAGED 2.6 BILLION CUBIC FEET A DAY.

"IN A BREAKFAST INTERVIEW, THE ENERGY SECRETARY SAID THAT THE MEXICANS WOULD 'SOONER OR LATER' END UP SELLING THEIR GAS TO THE UNITED STATES, THE ONLY MAJOR GAS CONSUMER WITHIN REACH OF A PIPELINE.

"WE BELIEVE MEXICO HAD ASKED A FAIR AND REASONABLE PRICE FOR GAS AND WE BELIEVE THEY MEAN WHAT THEY SAY THAT THAT PRICE IS NOT NEGOTIABLE,' SAID A SPOKESMAN FOR TENNECO INC., THE MAJOR PURCHASER.

"TENNECO EARLIER THIS WEEK REQUESTED A MEETING TO DISCUSS THE SITUATION WITH MR. SCHLESINGER ON BEHALF LIMITED OFFICIAL USE

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OF ITSELF AND ITS PARTNERS, THE TEXAS EASTERN TRANSMISSION COMPANY, THE TRANSCONTINENTAL GAS PIPELINE CORPORATION, THE FLORIDA GAS COMPANY, THE SOUTHERN NATURAL RESOURCES COMPANY AND THE EL PASO NATURAL GAS COMPANY.

"AS INTERSTATE PIPELINES, THE COMPANIES WOULD HAVE SOLD THE GAS TO CUSTOMERS IN GAS-CONSUMING AREAS WHO HAVE SUFFERED FROM INCREASING SHORTAGES IN RECENT YEARS, AS A RESULT OF DECLINING DOMESTIC PRODUCTION AND A TWO-TIERED PRICING SYSTEM.

"ARGUING AGAINST THE HIGHER MEXICAN PRICE - WHICH WOULD ESCALATE WITH THE PRICE OF IMPORTED HEATING OIL, AND CLOSEST SUBSTITUTE - MR. SCHLESINGER NOTED THAT GAS SALES FOR TRANSPORTATION IN LIQUEFIED FORM HAVE BEEN MADE AT FAR LOWER PRICES."

2. WOULD APPRECIATE EMBASSY REPORTING GOM AND/OR PRESS REACTION, IF ANY, TO COMMENTS ATTRIBUTED TO DR. SCHLESINGER. HOWEVER, DO NOT REPEAT DO NOT ELICIT COMMENTARY, A REPORT OF LACK OF EVIDENCED REACTION WILL BE EQUALLY INFORMATIVE. CHRISTOPHER

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009